

# QUARTERLY REPORT

**LICENSEE**

**TRUMP'S CASTLE ASSOCIATES, L.P.**

**FOR THE QUARTER ENDED JUNE 30, 2002**

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY



**BALANCE SHEETS**

AS OF JUNE 30, 2002 and 2001

(UNAUDITED)  
(\$ IN THOUSANDS)

| LINE<br>(a) | DESCRIPTION<br>(b)  | 2002<br>(c) | 2001<br>(d) |
|-------------|---|-------------|-------------|
|             | <b>ASSETS</b>   |             |             |
|             | Current Assets:   |             |             |
| 1           | Cash and Cash Equivalents.....  | \$23,281    | \$18,314    |
| 2           | Short-Term Investments .....  | --          | --          |
| 3           | Receivables and Patrons' Checks (Net of Allowance for<br>Doubtful Accounts - 2002, \$2,369 ; 2001, \$2,584) ..... | 11,100      | 12,262      |
| 4           | Inventories .....   | 2,821       | 3,051       |
| 5           | Prepaid Expenses and Other Current Assets.....  | 3,981       | 4,116       |
| 6           | Total Current Assets .....  | 41,183      | 37,743      |
| 7           | Investments, Advances, and Receivables .....  | 7,439       | 6,763       |
| 8           | Property and Equipment - Gross .....  | 562,169     | 550,449     |
| 9           | Less: Accumulated Depreciation and Amortization .....   | (98,261)    | (79,803)    |
| 10          | Property and Equipment - Net.....   | 463,908     | 470,646     |
| 11          | Other Assets .....  | 5,320       | 4,759       |
| 12          | Total Assets .....  | \$517,850   | \$519,911   |
|             | <b>LIABILITIES AND EQUITY</b>   |             |             |
|             | Current Liabilities:  |             |             |
| 13          | Accounts Payable .....  | \$8,169     | \$11,307    |
| 14          | Notes Payable.....  | --          | --          |
|             | Current Portion of Long-Term Debt:  |             |             |
| 15          | Due to Affiliates .....   | --          | --          |
| 16          | Other ..... (Note 2).....   | 3,652       | 3,747       |
| 17          | Income Taxes Payable and Accrued .....  | --          | --          |
| 18          | Other Accrued Expenses .....  | 16,581      | 15,721      |
| 19          | Other Current Liabilities ..... (Note 3).....   | 16,109      | 20,169      |
| 20          | Total Current Liabilities.....  | 44,511      | 50,944      |
|             | Long Term Debt:   |             |             |
| 21          | Due to Affiliates ..... (Note 2).....   | 441,321     | 417,278     |
| 22          | Other ..... (Note 2).....   | 4,680       | 4,486       |
| 23          | Deferred Credits .....  | --          | --          |
| 24          | Other Liabilities .....   | 6,264       | 3,705       |
| 25          | Commitments And Contingencies .....   |             |             |
| 26          | Total Liabilities .....   | 496,776     | 476,413     |
| 27          | Stockholders', Partners', Or Proprietor's Equity .....  | 21,074      | 43,498      |
| 28          | Total Liabilities and Equity .....  | \$517,850   | \$519,911   |

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2002 and 2001

(UNAUDITED)  
(\$ IN THOUSANDS)

| LINE<br>(a) | DESCRIPTION<br>(b)   | 2002<br>(c) | 2001*<br>(d) |
|-------------|--|-------------|--------------|
|             | Revenue:   |             |              |
| 1           | Casino.....  | \$137,552   | \$126,530    |
| 2           | Rooms .....  | 8,890       | 8,522        |
| 3           | Food and Beverage .....  | 15,191      | 14,817       |
| 4           | Other .....  | 4,227       | 4,436        |
| 5           | Total Revenue .....  | 165,860     | 154,305      |
| 6           | Less: Promotional Allowances ..... (Note 4).....                   | 32,962      | 34,166       |
| 7           | Net Revenue .....  | 132,898     | 120,139      |
|             | Costs And Expenses:  |             |              |
| 8           | Cost of Goods and Services .....                                   | 75,793      | 76,890       |
| 9           | Selling, General, and Administrative ..... (Note 4).....           | 22,157      | 20,737       |
| 10          | Provision for Doubtful Accounts .....                              | 1,117       | 627          |
| 11          | Total Costs and Expenses .....                                     | 99,067      | 98,254       |
| 12          | Gross Operating Profit .....                                       | 33,831      | 21,885       |
| 13          | Depreciation and Amortization .....                                | 10,199      | 8,475        |
|             | Charges from Affiliates Other than Interest:                       |             |              |
| 14          | Management Fees ..... (Note 3).....                                | 1,596       | 913          |
| 15          | Other ..... (Note 3).....  | 1,887       | 1,828        |
| 16          | Income (Loss) From Operations .....                                | 20,149      | 10,669       |
|             | Other Income (Expenses):   |             |              |
| 17          | Interest (Expense) - Affiliates..... (Note 2).....                 | (30,769)    | (29,093)     |
| 18          | Interest (Expense) - External ..... (Note 2).....                  | (680)       | (370)        |
| 19          | Investment Alternative Tax and Related Income (Expense) - Net..... | (528)       | (825)        |
| 20          | Nonoperating Income (Expense) - Net ..... (Note 5).....            | (961)       | 402          |
| 21          | Total Other Income (Expenses) .....                                | (32,938)    | (29,886)     |
| 22          | Income (Loss) Before Income Taxes And Extraordinary Items .....    | (12,789)    | (19,217)     |
| 23          | Provision (Credit) for Income Taxes .....                          | --          | --           |
| 24          | Income (Loss) Before Extraordinary Items .....                     | (12,789)    | (19,217)     |
|             | Extraordinary Items (Net of Income Taxes -                         |             |              |
| 25          | 2002, \$ -; 2001, \$ -) .....                                      | --          | --           |
| 26          | Net Income (Loss) .....  | (\$12,789)  | (\$19,217)   |

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

\*Shaded amounts have been restated to conform to current year presentation.

**STATEMENTS OF INCOME**

FOR THE THREE MONTHS ENDED JUNE 30, 2002 and 2001

(UNAUDITED)  
(\$ IN THOUSANDS)

| LINE<br>(a) | DESCRIPTION<br>(b)   | 2002<br>(c) | 2001*<br>(d) |
|-------------|--|-------------|--------------|
|             | Revenue:   |             |              |
| 1           | Casino.....  | \$70,262    | \$64,437     |
| 2           | Rooms .....  | 4,691       | 4,559        |
| 3           | Food and Beverage .....  | 8,116       | 7,760        |
| 4           | Other .....  | 2,717       | 2,826        |
| 5           | Total Revenue .....  | 85,786      | 79,582       |
| 6           | Less: Promotional Allowances ..... (Note 4).....                   | 16,690      | 17,791       |
| 7           | Net Revenue .....  | 69,096      | 61,791       |
|             | Costs And Expenses:  |             |              |
| 8           | Cost of Goods and Services .....                                   | 38,595      | 39,191       |
| 9           | Selling, General, and Administrative ..... (Note 4).....           | 11,444      | 10,405       |
| 10          | Provision for Doubtful Accounts .....                              | 840         | 328          |
| 11          | Total Costs and Expenses .....                                     | 50,879      | 49,924       |
| 12          | Gross Operating Profit .....                                       | 18,217      | 11,867       |
| 13          | Depreciation and Amortization .....                                | 5,298       | 4,176        |
|             | Charges from Affiliates Other than Interest:                       |             |              |
| 14          | Management Fees ..... (Note 3).....                                | 957         | 457          |
| 15          | Other ..... (Note 3).....  | 994         | 914          |
| 16          | Income (Loss) From Operations .....                                | 10,968      | 6,320        |
|             | Other Income (Expenses):   |             |              |
| 17          | Interest (Expense) - Affiliates..... (Note 2).....                 | (15,491)    | (14,646)     |
| 18          | Interest (Expense) - External ..... (Note 2).....                  | (349)       | (192)        |
| 19          | Investment Alternative Tax and Related Income (Expense) - Net..... | (282)       | (274)        |
| 20          | Nonoperating Income (Expense) - Net ..... (Note 5).....            | (523)       | 169          |
| 21          | Total Other Income (Expenses) .....                                | (16,645)    | (14,943)     |
| 22          | Income (Loss) Before Income Taxes And Extraordinary Items .....    | (5,677)     | (8,623)      |
| 23          | Provision (Credit) for Income Taxes .....                          | --          | --           |
| 24          | Income (Loss) Before Extraordinary Items .....                     | (5,677)     | (8,623)      |
|             | Extraordinary Items (Net of Income Taxes -                         |             |              |
| 25          | 2002, \$ -; 2001, \$ -) .....                                      | --          | --           |
| 26          | Net Income (Loss) .....  | (\$5,677)   | (\$8,623)    |

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

\*Shaded amounts have been restated to conform to current year presentation.

# STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001  
AND THE SIX MONTHS ENDED JUNE 30, 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

| LINE<br>(a) | Description<br>(b)              | Contributed<br>Capital<br>(c) | Accumulated<br>Earnings<br>(Deficit)<br>(d) | (e) | Total<br>Equity<br>(Deficit)<br>(f) |
|-------------|---------------------------------|-------------------------------|---|-----|-------------------------------------|
| 1           | Balance, December 31, 2000..... | \$175,395                     | (\$112,680)                                 |     | \$62,715                            |
| 2           | Net Income (Loss) - 2001.....   |                               | (28,852)                                    |     | (28,852)                            |
| 3           | Capital Contributions.....      |                               |   |     |                                     |
| 4           | Capital Withdrawals.....        |                               |   |     |                                     |
| 5           | Partnership Distributions.....  |                               |   |     |                                     |
| 6           | Prior Period Adjustments.....   |                               |   |     |                                     |
| 7           | .....                           |                               |   |     |                                     |
| 8           | .....                           |                               |   |     |                                     |
| 9           | .....                           |                               |   |     |                                     |
| 10          | Balance, December 31, 2001..... | 175,395                       | (141,532)                                   |     | 33,863                              |
| 11          | Net Income (Loss) - 2002.....   |                               | (12,789)                                    |     | (12,789)                            |
| 12          | Capital Contributions.....      |                               |   |     |                                     |
| 13          | Capital Withdrawals.....        |                               |   |     |                                     |
| 14          | Partnership Distributions.....  |                               |   |     |                                     |
| 15          | Prior Period Adjustments.....   |                               |   |     |                                     |
| 16          | .....                           |                               |   |     |                                     |
| 17          | .....                           |                               |   |     |                                     |
| 18          | .....                           |                               |   |     |                                     |
| 19          | Balance, June 30, 2002.....     | \$175,395                     | (\$154,321)                                 |     | \$21,074                            |

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE TRUMP MARINA HOTEL · CASINO

**STATEMENTS OF CASH FLOWS**

FOR THE SIX MONTHS ENDED JUNE 30, 2002 and 2001

(UNAUDITED)  
(\$ IN THOUSANDS)

| LINE<br>(a) | DESCRIPTION<br>(b)   | 2002<br>(c) | 2001<br>(d) |
|-------------|--|-------------|-------------|
| 1           | NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES .....   | \$7,586     | \$1,332     |
|             | CASH FLOWS FROM INVESTING ACTIVITIES:  |             |             |
| 2           | Purchase of Short-Term Investment Securities.....  | --          | --          |
| 3           | Proceeds from the Sale of Short-Term Investment Securities.....                                    | --          | --          |
| 4           | Cash Outflows for Property and Equipment.....  | (1,868)     | (2,063)     |
| 5           | Proceeds from Disposition of Property and Equipment.....   | --          | --          |
| 6           | Purchase of Casino Reinvestment Obligations.....   | (1,631)     | (1,614)     |
| 7           | Purchase of Other Investments and Loans/Advances made.....   | --          | --          |
| 8           | Proceeds from Disposal of Investments and Collection<br>of Advances and Long-Term Receivables..... | --          | --          |
| 9           | Cash Outflows to Acquire Business Entities.....  | --          | --          |
| 10          | .....  | --          | --          |
| 11          | .....  | --          | --          |
| 12          | Net Cash Provided (Used) By Investing Activities.....  | (3,499)     | (3,677)     |
|             | CASH FLOWS FROM FINANCING ACTIVITIES:  |             |             |
| 13          | Cash Proceeds from Issuance of Short-Term Debt.....  | --          | --          |
| 14          | Payments to Settle Short-Term Debt.....  | --          | --          |
| 15          | Cash Proceeds from Issuance of Long-Term Debt.....   | --          | --          |
| 16          | Costs of Issuing Debt.....   | --          | --          |
| 17          | Payments to Settle Long-Term Debt.....   | (2,880)     | (577)       |
| 18          | Cash Proceeds from Issuing Stock or Capital Contributions.....                                     | --          | --          |
| 19          | Purchases of Treasury Stock.....   | --          | --          |
| 20          | Payments of Dividends or Capital Withdrawals.....  | --          | --          |
| 21          | Repayment of Note Payable to Affiliate.....  | --          | --          |
| 22          | .....  | --          | --          |
| 23          | Net Cash Provided (Used) By Financing Activities.....  | (2,880)     | (577)       |
| 24          | Net Increase (Decrease) in Cash and Cash Equivalents.....  | 1,207       | (2,922)     |
| 25          | Cash and Cash Equivalents at Beginning of Period.....  | 22,074      | 21,236      |
| 26          | Cash and Cash Equivalents at End of Period.....  | \$23,281    | \$18,314    |
|             | CASH PAID DURING PERIOD FOR:   |             |             |
| 27          | Interest (Net of Amount Capitalized).....  | \$19,333    | \$18,030    |
| 28          | Income Taxes.....  | --          | --          |

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

**STATEMENTS OF CASH FLOWS**

FOR THE SIX MONTHS ENDED JUNE 30, 2002 and 2001

(UNAUDITED)  
(\$ IN THOUSANDS)

| LINE<br>(a) | DESCRIPTION<br>(b)   | 2002<br>(c) | 2001<br>(d) |
|-------------|--|-------------|-------------|
|             | <b>NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>             |             |             |
| 29          | Net Income (Loss).....                                       | (\$12,789)  | (\$19,217)  |
|             | Noncash Items Included in Income and Cash Items              |             |             |
|             | Excluded from Income:  |             |             |
| 30          | Depreciation and Amortization of Property and Equipment..... | 10,199      | 8,475       |
| 31          | Amortization of Other Assets.....                            | --          | --          |
| 32          | Amortization of Debt Discount or Premium.....                | 3,357       | 2,875       |
| 33          | Deferred Income Taxes - Current.....                         | --          | --          |
| 34          | Deferred Income Taxes - Noncurrent.....                      | --          | --          |
| 35          | (Gain) Loss on Disposition of Property and Equipment.....    | --          | --          |
| 36          | (Gain) Loss on Casino Reinvestment Obligations.....          | 528         | 824         |
| 37          | (Gain) Loss from Other Investment Activities.....            | --          | --          |
|             | Net (Increase) Decrease in Receivables and Patrons'          |             |             |
| 38          | Checks.....  | 747         | 1,805       |
| 39          | Net (Increase) Decrease in Inventories.....                  | (20)        | 74          |
| 40          | Net (Increase) Decrease in Other Current Assets.....         | (2,125)     | (2,105)     |
| 41          | Net (Increase) Decrease in Other Assets.....                 | (514)       | 783         |
| 42          | Net Increase (Decrease) in Accounts Payable.....             | (2,461)     | 2,541       |
|             | Net Increase (Decrease) in Other Current Liabilities         |             |             |
| 43          | Excluding Debt.....  | 919         | (3,882)     |
|             | Net Increase (Decrease) in Other Noncurrent Liabilities.     |             |             |
| 44          | Excluding Debt.....  | 24          | 140         |
| 45          | Provision for Losses on Receivables.....                     | 1,117       | 627         |
| 46          | Issuance of Debt in exchange for accrued interest.....       | 8,604       | 8,392       |
| 47          | Net Cash Provided (Used) By Operating Activities.....        | \$7,586     | \$1,332     |

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

|    |  |         |         |
|----|--|---------|---------|
|    | <b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>                  |         |         |
| 48 | Additions to Property and Equipment.....                       | \$4,879 | \$6,236 |
| 49 | Less: Capital Lease Obligations Incurred.....                  | (3,011) | (4,173) |
| 50 | Cash Outflows for Property and Equipment.....                  | \$1,868 | \$2,063 |
|    | <b>ACQUISITION OF BUSINESS ENTITIES:</b>                       |         |         |
| 51 | Property and Equipment Acquired.....                           | --      | --      |
| 52 | Goodwill Acquired.....   | --      | --      |
|    | Net Assets Acquired Other than Cash, Goodwill, and             |         |         |
| 53 | Property and Equipment.....                                    | --      | --      |
| 54 | Long-Term Debt Assumed.....                                    | --      | --      |
| 55 | Issuance of Stock or Capital Invested.....                     | --      | --      |
| 56 | Cash Outflows To Acquire Business Entities.....                | --      | --      |
|    | <b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>                  |         |         |
| 57 | Total Issuances of Stock or Capital Contributions.....         | --      | --      |
| 58 | Less: Issuances to Settle Long-Term Debt.....                  | --      | --      |
| 59 | Consideration in Acquisition of Business Entities.....         | --      | --      |
| 60 | Cash Proceeds From Issuing Stock Or Capital Contributions..... | --      | --      |

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE SIX MONTHS ENDED JUNE 30, 2002

| Line<br>(a) | (b)                        | PROMOTIONAL ALLOWANCES         |                         | PROMOTIONAL EXPENSES           |                         |
|-------------|----------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
|             |                            | Number of<br>Recipients<br>(c) | Dollar<br>Amount<br>(d) | Number of<br>Recipients<br>(e) | Dollar<br>Amount<br>(f) |
| 1           | Rooms                      | 84,397                         | \$5,914                 | --                             | --                      |
| 2           | Food                       | 474,297                        | 7,455                   | --                             | --                      |
| 3           | Beverage                   | 665,882                        | 2,830                   | --                             | --                      |
| 4           | Travel                     | --                             | --                      | 8,764                          | \$1,487                 |
| 5           | Bus Program Cash           | --                             | --                      | 68,222                         | 937                     |
| 6           | Other Cash Complimentaries | 616,112                        | 16,293                  | 8,047                          | 259                     |
| 7           | Entertainment              | 2,572                          | 80                      | 4,587                          | 477                     |
| 8           | Retail & Non-Cash Gifts    | 13,720                         | 343                     | --                             | --                      |
| 9           | Parking                    | --                             | --                      | --                             | --                      |
| 10          | Other                      | 1,880                          | 47                      | 11,060                         | 553                     |
| 11          | Total                      | 1,858,860                      | \$32,962                | 100,680                        | \$3,713                 |

FOR THE THREE MONTHS ENDED JUNE 30, 2002

| Line<br>(a) | (b)                        | PROMOTIONAL ALLOWANCES         |                         | PROMOTIONAL EXPENSES           |                         |
|-------------|----------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
|             |                            | Number of<br>Recipients<br>(c) | Dollar<br>Amount<br>(d) | Number of<br>Recipients<br>(e) | Dollar<br>Amount<br>(f) |
| 1           | Rooms                      | 44,179                         | \$3,068                 | --                             | --                      |
| 2           | Food                       | 242,628                        | 3,812                   | --                             | --                      |
| 3           | Beverage                   | 335,058                        | 1,424                   | --                             | --                      |
| 4           | Travel                     | --                             | --                      | 4,797                          | \$779                   |
| 5           | Bus Program Cash           | --                             | --                      | 34,113                         | 469                     |
| 6           | Other Cash Complimentaries | 312,457                        | 8,130                   | 3,700                          | 137                     |
| 7           | Entertainment              | 1,527                          | 51                      | 2,228                          | 237                     |
| 8           | Retail & Non-Cash Gifts    | 7,280                          | 182                     | --                             | --                      |
| 9           | Parking                    | --                             | --                      | --                             | --                      |
| 10          | Other                      | 920                            | 23                      | 5,840                          | 292                     |
| 11          | Total                      | 944,049                        | \$16,690                | 50,678                         | \$1,914                 |

Note: No complimentary service or item in the "Other" categories of Promotional Expenses or Promotional Allowances exceed 5% of that column's total.



**TRUMP'S CASTLE ASSOCIATES, L.P.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(unaudited)**

**(1) Organization and Operations**

The accompanying financial statements are those of Trump's Castle Associates, L.P., a New Jersey limited partnership (the "Partnership"). The Partnership is 99% owned by Trump Hotels & Casino Resorts Holdings, L.P., a Delaware limited partnership ("THCR Holdings"), and 1% owned by Trump's Castle Hotel & Casino, Inc., a New Jersey corporation ("TCHI"). TCHI is wholly owned by THCR Holdings, and THCR Holdings is currently a 63.4% owned subsidiary of Trump Hotels & Casino Resorts, Inc., a Delaware corporation ("THCR").

The Partnership operates the Trump Marina Hotel Casino ("Trump Marina"), a casino hotel located in the marina district of Atlantic City, New Jersey. The primary portion of Trump Marina's revenues are derived from its gaming operations.

Trump's Castle Funding, Inc., a New Jersey corporation ("Funding"), a wholly owned subsidiary of the Partnership, was incorporated solely to serve as a financing company to raise funds through the issuance of bonds to the public. Since Funding has no business operations, its ability to repay the principal and interest on the 11¾% Mortgage Notes due 2003 (the "Mortgage Notes"), its Increasing Rate Subordinated Pay-in-Kind Notes due 2005 (the "PIK Notes") and the Term Credit Facility, as defined below, is completely dependent upon the operations of the Partnership.

On June 12, 2002, the Partnership entered into a \$70,000,000 term credit facility (the "Term Credit Facility") which matures on November 1, 2003 and bears interest at a rate based on the Eurodollar rate (LIBOR based) (7.375% as of July 12, 2002). The Term Credit Facility is secured by substantially all of the Partnership's assets on a first priority basis. The net proceeds from the Term Credit Facility were used to redeem the \$62,000,000 10¼% Senior Secured Notes due 2003 (the "Senior Notes") and the \$5,000,000 10¼% Senior Secured Notes due 2003 (the "Working Capital Loan"). This refinancing is the first phase of what management anticipates being a refinancing or modification of all of the debt which matures during 2003. There can be no assurance, however, that management will be able to refinance or modify the debt which matures during 2003 on terms that are acceptable to the Partnership, or at all. The Partnership has, however, consistently generated sufficient cash for debt service and operating requirements, and management believes that, based upon its cash flow projections for 2002, the Partnership will have sufficient cash flows to meet its debt service and operating expense requirements throughout 2002.

The accompanying financial statements have been prepared by the Partnership without audit. In the opinion of the Partnership, all adjustments, consisting of only normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods presented have been made.

**TRUMP'S CASTLE ASSOCIATES, L.P.**  
**NOTES TO FINANCIAL STATEMENTS - (Continued)**  
**(unaudited)**

The accompanying financial statements have been prepared by the Partnership pursuant to the rules and regulations of the Casino Control Commission of the State of New Jersey (the "Commission"). Accordingly, certain information and note disclosures normally included in the financial statements prepared in conformity with generally accepted accounting principles have been omitted.

These financial statements should be read in conjunction with the financial statements and notes thereto included in the quarterly report for the quarter ended December 31, 2001, as filed with the Commission by the Partnership.

The casino industry in Atlantic City is seasonal in nature with the peak season occurring in the second and third quarters. Accordingly, the results of operations for the three and six month periods ending June 30, 2002 are not necessarily indicative of the operating results for a full year.

**(2) Long-Term Debt**

Long-Term debt consists of:

|  | <u>2002</u>           | <u>June 30,</u><br><u>2001</u> |
|--|-----------------------|--------------------------------|
| Mortgage Notes, due 2003<br>(Net of discount of \$10,208,000 and<br>\$15,857,000, respectively ..... | \$ 231,933,000        | \$ 226,284,000                 |
| PIK Notes, due 2005<br>(Net of discount of \$4,563,000 and<br>\$5,377,000, respectively .....        | 142,388,000           | 123,994,000                    |
| Senior Notes, due 2003 .....   | 62,000,000            | 62,000,000                     |
| Working Capital Loan, due 2003 .....   | 5,000,000             | 5,000,000                      |
| Capital lease obligations .....  | <u>8,332,000</u>      | <u>8,233,000</u>               |
| Total debt .....   | 449,653,000           | 425,511,000                    |
| Less-current maturities .....  | <u>3,652,000</u>      | <u>3,747,000</u>               |
| Long-term debt .....   | <u>\$ 446,001,000</u> | <u>\$ 421,764,000</u>          |

**TRUMP'S CASTLE ASSOCIATES, L.P.**  
**NOTES TO FINANCIAL STATEMENTS - (Continued)**  
**(unaudited)**

The Mortgage Notes have an outstanding principal amount of \$242,141,000, bear interest at the rate of 11¾% per annum, payable semiannually on May 15<sup>th</sup> and November 15<sup>th</sup> of each year, and mature on November 15, 2003.

The PIK Notes have an outstanding principal amount of approximately \$146,951,000 and mature on November 15, 2005. Interest is currently payable semiannually at the rate of 13⅞% per annum. On or prior to November 15, 2003, interest on the PIK Notes may be paid in cash or through the issuance of additional PIK Notes. THCR Holdings owns approximately 90% of the PIK Notes.

At June 30, 2002, the Senior Notes had an outstanding principal amount of \$62,000,000 bearing interest at the rate of 10¼% per annum, payable semiannually each April 30<sup>th</sup> and October 30<sup>th</sup>. The entire principal balance of the Senior Notes was scheduled to mature on April 30, 2003. On July 12, 2002, the Senior Notes were redeemed with the net proceeds of the Term Credit Facility.

At June 30, 2002, the Working Capital Loan had an outstanding principal amount of \$5,000,000 bearing interest at the rate of 10¼% per annum, payable semiannually each April 30<sup>th</sup> and October 30<sup>th</sup>. The Working Capital Loan was scheduled to mature on April 30, 2003. On July 12, 2002, the Working Capital Loan was redeemed with the net proceeds of the Term Credit Facility.

On June 12, 2002, the Partnership entered into the Term Credit Facility, which matures on November 1, 2003 and bears interest at a rate based on the Eurodollar rate (LIBOR based) (7.375% as of July 12, 2002). The net proceeds from the Term Credit Facility were used to redeem the Senior Notes and the Working Capital Loan on July 12, 2002. The Term Credit Facility is secured by substantially all of the assets of the Partnership on a first priority basis.

The debt associated with the Mortgage Notes, the PIK Notes, the Senior Notes and the Working Capital Loan has been classified as Due to Affiliates in the accompanying balance sheets.

The Partnership has also entered into various capital lease agreements which are secured by equipment. These leases mature on various dates through the year 2005.

**(3) Related Party Transactions**

*Trump Management Fee*

The Partnership has a Services Agreement (the "Services Agreement") with Trump Casino II, Inc. ("TCI-II"), a corporation wholly-owned by Donald J. Trump ("Trump"). Pursuant to the

**TRUMP'S CASTLE ASSOCIATES, L.P.**  
**NOTES TO FINANCIAL STATEMENTS - (Continued)**  
**(unaudited)**

terms of the Services Agreement, TCI-II is obligated to provide the Partnership, from time to time, when reasonably requested, consulting services on a non-exclusive basis, relating to marketing, advertising, promotional and other similar and related services with respect to the business and operations of the Partnership, including such other services as the Managing Partner may reasonably request.

Pursuant to the Services Agreement, the Partnership is required to pay an annual fee in the amount of \$1,500,000 to TCI-II for each year in which Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), as defined, exceeds \$50,000,000. In addition, if the annual fee is attained, TCI-II is to receive an incentive fee equal to 10% of the excess EBITDA over \$45,000,000 for such fiscal year. The Services Agreement expires on December 31, 2005. For the six months ended June 30, 2002 and 2001, the Partnership recorded fees and expenses of \$1,596,000 and \$913,000 under the Services Agreement, respectively.

*Transactions with Affiliates*

The Partnership has engaged in limited intercompany transactions with Trump Plaza Associates ("Plaza Associates"), Trump Taj Mahal Associates ("Taj Associates"), Trump Administration, a division of Taj Associates, ("Trump Administration"), THCR, and the Trump Organization, all of which are affiliates of Trump.

Amounts due to (from) affiliates are as follows:

|                           | <u>June 30,</u>    |                     |
|---------------------------|--------------------|---------------------|
|                           | <u>2002</u>        | <u>2001</u>         |
| Trump Administration..... | \$6,203,000        | \$9,909,000         |
| THCR.....                 | 232,000            | 1,592,000           |
| Taj Associates.....       | 504,000            | 254,000             |
| Plaza Associates.....     | 40,000             | (29,000)            |
| Trump Organization.....   | —                  | (342,000)           |
| Total                     | <u>\$6,979,000</u> | <u>\$11,384,000</u> |

**TRUMP'S CASTLE ASSOCIATES, L.P.**  
**NOTES TO FINANCIAL STATEMENTS - (Continued)**  
**(unaudited)**

*Trump Administration*

Trump Administration was formed for the purpose of realizing cost savings and operational synergies by consolidating certain administrative functions of, and providing certain services to the Partnership, Plaza Associates, and Taj Associates. Charges from Trump Administration for the six months ended June 30, 2002 and 2001 were approximately \$1,887,000 and \$1,828,000, respectively.

*Partnership Agreement*

Under the terms of the Partnership Agreement, the Partnership is required to pay all costs incurred by TCI-II. For the six months ended June 30, 2002 and 2001, the Partnership paid no expenses on behalf of TCI-II.

**(4) Recent Accounting Pronouncements**

In January 2001, the Emerging Issues Task Force ("EITF") reached a consensus on certain issues within Issue No. 00-22, "Accounting for 'Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future" ("EITF 00-22"). Application of EITF 00-22 is required for interim and annual periods ending after February 15, 2001. EITF 00-22 requires volume-based cash rebates to be classified as a reduction of revenue. Accordingly, such rebates of \$8,925,000 and \$16,671,000 for the three and six months ended June 30, 2001 have been reclassified as promotional allowances. The Partnership previously classified these expenditures as a selling, general, and administrative expenses.

**(5) Debt Renegotiation Costs**

The Partnership was seeking to refinance or modify the terms of its long term debt. The Partnership incurred approximately \$656,000 and \$1,127,000 in Debt Renegotiation Costs for the three and six month periods ended June 30, 2002, respectively. On May 17, 2002, the Partnership decided not to pursue these efforts.

**TRUMP'S CASTLE ASSOCIATES, L.P.**  
**NOTES TO FINANCIAL STATEMENTS - (Continued)**  
**(unaudited)**

**(6) Subsequent Events**

On July 3, 2002, the State of New Jersey passed the New Jersey Tax Act (the "Act"). This Act, among other things, requires the suspension of the use of the New Jersey net operating loss carryforwards for two years and the introduction of a new alternative minimum amount under the New Jersey corporate business tax based on gross receipts or gross profits, as defined. The Act is retroactive to January 1, 2002. As a result of the change in the tax law, the Partnership has preliminarily estimated that it will record a charge to tax expense of approximately \$750,000 to \$1,000,000 for the year ended December 31, 2002. This charge will be recorded beginning in the period in which the tax law (third quarter) was passed pursuant to the accounting literature in Financial Accounting Standards Board Statement Number 109, Accounting For Income Taxes.

On July 12, 2002, the Partnership redeemed the Senior Notes and the Working Capital Loan with the net proceeds of the Term Credit Facility entered into by the Partnership on June 12, 2002.

## STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.



Signature

Vice President of Finance -  
Trump Marina Hotel • Casino

Title

7167-11

License Number

On Behalf Of:

Trump's Castle Associates, L.P.

Casino Licensee